

2003-2005 BIENNIAL BUDGET SUMMARY
2003 Wisconsin Act 33
Department of Employee Trust Funds

I. Direct Service Staffing

Critical Customer Service Improvements – Continue to meet the service needs of a growing population of active, inactive and retired participants. By 2004, when the “baby boomer” generation hits the Wisconsin Retirement System (WRS) in full force, the number of active WRS participants eligible to retire is estimated to be 94,362, an 86% increase over the 50,850 active WRS members that were eligible to retire during 1996. Additionally, Act 11 added significant complexity to the WRS benefit programs. By adding positions, the Department would be able to provide more timely and accurate information to all WRS participants about employee benefit programs, as well as process applications and pay benefits more expeditiously. For instance, the Department would be able to provide remote site counseling services, retirement estimates to 25% of WRS “eligible to retire” population within 10 days of receiving the request, and disability estimates within 5 days of request. Additionally, WRS members would be able to schedule an appointment within 3 weeks of contacting the Department.

Requested: \$802,700 SEG in the first year and \$755,000 SEG in the second year and 14.5 FTE permanent positions (13.5, first year; 1.0 additional, second year).

JCF Recommendation: \$137,400 SEG in the first year and \$183,300 SEG in the second year and 4.0 FTE permanent positions. No other changes made by Legislature or Governor’s veto.

Customer Service Call Center – Continue support of the Customer Service Call Center, which provides critical “one-stop” telephone services to members. The Department has experienced, and expects to continue to experience, unprecedented demand for services and growth as the “baby boom” generation hits the WRS in full force. Retaining project personnel has been difficult; 90% of our original hires have resigned to accept other permanent positions. Each trained specialist who terminates means a productivity loss equating to about 1,500 calls a month. By converting project positions to permanent positions, the Department expects to meet a goal of answering 85-90% of calls within one minute 90% of the time. With well-trained and experienced permanent staff, the most effective use of the center’s new technology will also be possible.

Requested: \$256,400 SEG in the first year and \$265,700 SEG in the second year and 5.8 FTE permanent positions. In addition, \$100,300 SEG in the first year and \$115,300 SEG in the second year for costs associated with the Department of Electronic Government’s Info Tech charges.

JCF Recommendation: \$186,200 SEG in the first year and \$229,800 SEG in the second year and 2.5 FTE permanent positions. No other changes made by Legislature or Governor’s veto.

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II. New Initiatives

Manager of Strategic Health Policy and Manager of Collaborative Purchasing – Develop collaborative health related purchasing agreements; actively participate in the development of strategic partnerships related to health insurance issues, cost containment and quality initiatives; and serve as a health insurance policy resource to the Department, legislators, other state agencies, and the public. The Department's health benefit coverage program is the largest single non-federal health plan in the state and provides coverage to over 225,000 state and local government employees, retirees, and their dependents. With health care inflation running at double-digit increases each year, significant cost savings to the state can be expected from designing coalition-type purchasing arrangements and designing fundamental changes in the health care delivery system.

Requested: \$107,300 SEG in the first year and \$119,200 SEG in the second year and 2.0 FTE permanent positions.

JCF Recommendation: \$53,700 SEG in the first year and \$59,600 SEG in the second year and 1.0 FTE permanent position. No other changes made by Legislature or Governor's veto.

Employer Compliance Reviews – Conduct benefit program compliance reviews and related training for participating employers. Increasingly, a number of employer benefit reporting discrepancies have been discovered that often result in costly appeals being filed with the Department, along with considerable staff time and money being spent correcting reporting errors.

Requested: \$53,700 SEG in the first year and \$98,200 SEG in the second year and 1.0 FTE permanent position

Governor's Recommendation: Deny request.

Non-Construction Costs for State Office Building Addition – Cover one-time costs of moving, space rental, and miscellaneous furniture/equipment purchases in 2004-05 to accommodate the addition and renovation of the 801 West Badger Road state office building. Also requesting ongoing funding for space rental.

Requested: One-time funding of \$615,800 SEG in the first year and \$281,200 SEG in the second year. Ongoing funding of \$176,200 SEG in the second year.

Governor's Recommendation: Deny request.

III. Information Technology

Completion of Benefit Payments System (BPS) Project – Continue funding to complete the BPS project that is being constructed to redesign and replace the existing annuity and accumulated sick leave credits conversion systems. Resources are also needed to administer security and PIN (Personal Identification Number) access and to create the security architecture needed to allow electronic access to member account data for inquiry and update purposes.

Requested: One-time \$1,202,800 SEG in the first year and \$656,000 SEG in the second year and continuation of 2.5 FTE project positions for two years. On-going funding of \$359,900 SEG in the first year and \$917,600 SEG in the second year for 2.0 FTE permanent positions. The Department is also removing 1.0 FTE SEG position authority and funding (\$37,600 in FY04 and FY05) per 1999 Wisconsin Act 16.

Governor's Recommendation: One-time funding of \$1,202,800 SEG in the first year and \$656,000 SEG in the second year and 2.5 FTE project positions for two years. Ongoing funding of \$72,500 SEG in the first year and \$95,600 SEG in the second year. The recommendation eliminated funding for on-line access of key-data for annuitants, toll-free telephone service, maintenance software tools, and ongoing production budget (total of \$1,108,300 SEG).

JCF Recommendation: Approved additional ongoing funding of \$143,800 SEG in the first year and \$445,700 SEG in the second year to restore funding for software maintenance tools and production charges. No other changes made by Legislature or Governor's veto.

IV. Other

Postage and Forms Budget – Re-estimate of postage and forms budget due to a 25% increase in volume and postage rate increases and a 13% increase in volume and new forms in part related to 1999 Wisconsin Act 11.

Requested: \$103,000 SEG in the first year and \$111,400 SEG in the second year.

Governor's Recommendation: Deny request.

Sum Sufficient Appropriation – Re-estimate of GPR funding requirements for annuity supplements and payments due to the reduction in number of eligible recipients. This applies to WRS retirees who first began receiving annuities prior to October 1, 1974.

Requested: \$2,965,500 GPR in the first year (-\$426,400) and \$2,504,300 GPR (-\$887,600) in the second year.

Governor's Recommendation: Same as ETF request.

JCF Recommendation: Revised estimates by decreasing \$14,600 GPR in the first year (\$2,950,900) and decreasing \$13,500 GPR in the second year (\$2,490,800). No other changes made by Legislature or Governor's veto.

V. Governor's Initiatives

Private Employer Health Care Coverage Program (PEHCCP) – Continue funding for program design and implementation. The budget adjustment bill (2001 Act 109) provided a loan of \$850,000 GPR from the Office of the Commissioner of Insurance's (OCI) general program operations appropriation to fund program design, marketing and implementation of the PEHCCP. The loan was to be repaid with interest to the general fund from contributions collected from participating employers. The Governor recommends the loan not be repaid from the general fund to OCI. Any funds remaining in the PEHCCP appropriation by June 30, 2003 will lapse to the general fund.

JCF Recommendation: Directs the Senate Majority Leader and the Assembly Speaker to establish a task force, appoint members of the task force to review the PEHCCP, and recommend and submit statutory changes for the program to the Legislature by January 1, 2004. In addition, \$105,500 GPR in the first year and \$210,900 GPR in the second year is placed in the JCF's program supplements appropriation to be available to support staff costs once statutory changes are made to the program.

Governor's Veto: Eliminates the creation of a task force to review the PEHCCP. Retains the GPR funding in the JCF appropriation but eliminates the requirement that the funding could only be appropriated if DETF requested the use of the funds for statutory language changes similar to the task force recommendations.

Attorney Consolidation – Improve the provision of state legal services by consolidating attorneys under the secretary of the Department of Administration (DOA). The DOA secretary will determine the assignment of attorneys to individual agencies. Position authority for 1.0 FTE permanent attorney position in DETF is reduced while funding is retained for DETF to purchase legal services from DOA.

JCF Recommendation: Delete the Governor's recommendation. Instead, the Secretary of the Department of Administration will ensure that 31.0 FTE executive branch attorney positions are deleted on January 2, 2004, excluding the UW System. If less than 31.0 FTE attorney positions are vacant, the DOA Secretary shall delete additional non-vacant attorney positions from executive state agencies. Agencies shall lapse all non-federal supported position funding to the general fund.

Governor's Veto: Eliminates the reference to only attorney positions for possible deletion. Instead, the veto directs the Department of Administration to identify any 31 vacant positions to delete as of January 2, 2004. Note: DETF and SWIB are exempt from these provisions.

Health Insurance Portability and Accountability Act (HIPAA) Position – Continue 1.0 FTE project position and \$54,600 SEG in both years for the HIPAA Privacy and Compliance Manager (as approved in the December 2002 s. 13.10 meeting) to implement security and privacy regulation mandates under federal law.

JCF Recommendation: Provided additional funding of \$353,600 SEG in the first year and \$412,400 SEG in the second year for the development and support work related to compliance with federal requirements under HIPAA. No other changes made by Legislature or Governor's veto.

Group Insurance Board Flexibility / Health Insurance Changes:

- Place each health plan into one of three tiers based on risk-adjusted cost;
- Replace the current 90%/105% premium contribution formula with one requiring the state to pay not less than 80% of the cost of the plans in the lowest tier; and
- Provide additional flexibility to allow modification of the standard plan to make it more cost-effective and compatible with the tiering approach.

JCF Recommendation: Approve the Governor's recommendations. No other changes made by Legislature or Governor's veto.

Pharmacy Benefit Purchasing Pool – Require all governmental units that provide health insurance for their employees to join a pharmacy benefits purchasing pool by January 1, 2005.

JCF Recommendation: Modify the Governor's recommendation by deleting the requirement that local governments be required to participate in the pharmacy pool by January 1, 2005 and instead authorize their participation and the participation of small employers under procedures developed by the Group Insurance Board. JCF would be authorized to approve the GIB's procedures under a 14-day passive review process.

Governor's Veto: Eliminates the requirement that the purchasing pool be begin on January 1, 2005. Removes the restriction of the pool to employers and opens the pool to every Wisconsin resident. Eliminates the requirement of the GIB to submit procedures for participation in the pool to the JCF under a 14-day passive review process (GIB must still develop procedures for participation but no legislative approval is required).

Retirement Incentives and Flexibility under the WRS:

- **Permissive Service Credit Purchases** – Consistent with federal law, allows WRS participants to purchase forfeited or other creditable service with certain tax deferred monies (i.e., Section 457 and 403 (b) funds).

JCF Recommendation: Approve the Governor's recommendation. No other changes made by Legislature or Governor's veto.

- **Removal of 30-Day Break in Service Provisions / In Service Distribution** – (A) Allows WRS participants at retirement age to terminate employment with a participating WRS employer and become employed by a different WRS employer without having a 30-day break between employment. (B) Allows a participant who has attained normal retirement age (age 65 or attained the age that an unreduced benefit is payable [e.g., age 57 with 30 years of creditable service]) to receive an in-service distribution (annuity) without terminating from a WRS employer.

JCF Recommendation: Delete the Governor's recommendation. (Note: The Joint Survey Committee on Retirement Systems recommended the 30-day break in service provision be deleted from the budget bill and introduced as separate legislation.) No other changes made by Legislature or Governor's veto.

- **Accumulated Sick Leave Conversion Credit (ASLCC) Flexibility** – Allows state employees with at least 20 years of creditable service to retain their accumulated sick leave credits without being eligible for an immediate annuity from the WRS. Changes the ASLCC value calculated at retirement from the current rate in effect at retirement to the highest rate of pay earned while employed.

JCF Recommendation: Approve the Governor's recommendation. No other changes made by Legislature or Governor's veto.

State Payment of Unfunded Accrued Actuarial Liability (UAAL) – Allows the state to issue taxable bonds at a lower interest rate to pay off its WRS UAAL balance of approximately \$730 million.

JCF Recommendation: Approve the Governor's recommendation to issue revenue obligation bonds up to \$750 million to pay off the state's UAAL under the WRS. Direct the DOA Secretary to assess each PR, SEG and FED account for the percentage of debt service costs associated with each fund's share of the unfunded pension liability that would have otherwise been paid by those funding sources and transfer or lapse each agency's payments to the general fund until the pension bonds are retired. No other changes made by Legislature or Governor's veto.

VI. Other Budget Initiatives

Accumulated Sick Leave Conversion Credit Program Liability – Allows the state to issue up to \$600 million in bonds to pay off the state's unfunded accumulated sick leave conversion credit program liability. Direct the DOA Secretary to assess each PR, SEG and FED account for the percentage of debt service costs associated with each fund's share of the unfunded pension liability that would have otherwise been paid by those funding sources and transfer or lapse each agency's payments to the general fund until the bonds are retired. *No changes.*

Group Health Insurance Premium Payments for Certain Part-Time State Employees – Specifies that for permanent or project state employees with appointments between .50 FTE and .74 FTE, who are WRS participants, the state would contribute one-half of the normal state contribution of health insurance premium for a full-time employee and the employee would contribute the remainder. The provision takes effect on January 1, 2004. The requirement would be a prohibited subject of bargaining for the state as an employer.

Governor's Veto: Retained the provision of .74 FTE or less contributing one-half of the normal state contribution of health insurance premium but allowed the proportion of health insurance costs paid by represented employees to be collectively bargained and for non-represented employees to be negotiated under the compensation plan.

Public Employer Group Health Insurance Plan – Allows local governmental units and school and technical college districts to unilaterally convert current group health insurance coverage provided to nonprotective employees either to the group health insurance plan administered by the Department of Employee Trust Funds or a self-insured plan that is similar to DETF's plan. The requirement would be a prohibited subject of bargaining. *Governor vetoed in its entirety.*

Fifth Week of Vacation Pay Reduction – Reduce each state agency’s budget for both fiscal years by amounts included as a standard budget adjustment for payments to employees for their fifth week of vacation eligibility as cash rather than time-off (this reduces ETF’s budget by \$26,700 each year.) *No changes.*

Compensation Reserves Reduction – Reduce the total level of funding included in the compensation reserves for the 2003-05 biennium by \$43.5 million all funds. *No changes.*

State Government Management Systems – Direct the DOA Secretary to issue requests for proposals (RFPs) in 2003-05 for all of the following executive branch state agencies: (a) a performance-based budgeting system; (b) a single web-based accounting system; (c) a single web-based electronic procurement system; (d) a single human resource system to process all personnel and payroll transactions and provide information to employee’s on benefits and services; and (e) an Internet portal. Require DOA to provide cost estimates on the RFP for these services to the Governor and the Legislature by July 1, 2004. Require the DOA Secretary to submit funding requests based upon the lowest acceptable bid for each system in DOA’s 2005-07 budget request along with any statutory change recommendations. If any of these systems can be implemented without cost in the 2003-05 biennium, require the DOA Secretary to immediately begin implementation of the lowest bid or proposal.

Beginning July 1, 2005, after implementation of the procurement system, require all executive state agencies to purchase facility maintenance supplies and related consumable products through the web-based electronic procurement system established by DOA. By July 1, 2004, require the DOA Secretary to study the feasibility of consolidating all executive branch state agency procurement positions into DOA’s Bureau of Procurement. After six months of implementation of the web-based system, require DOA to delete 88.0 FTE procurement-related executive branch state agency positions.

Require DOA to request proposals for purchase of personal computer hardware and software for executive branch state agencies through a simple master lease program with a private vendor whenever an existing master lease agreement for current services expires.

Governor’s Veto: Vetoed in its entirety except retained a separate provision that allows the Department of Administration to implement an enterprise-wide reporting, data warehousing and data analysis system applicable to every state agency.

Printing / Publications Prohibition – Require DOA to identify all printed publications prepared by executive branch state agencies and prohibit production of any of these publications unless deemed essential by the DOA Secretary or required by law or the Wisconsin Constitution. Require agencies to submit expenditures for printing of these publications to DOA during the 2003-05 biennium. Lapse or transfer any funding associated with the costs of printing these prohibited publications to the general fund. If an agency’s publication is rejected as not essential, require the state agency to post the information on its Internet site. *Governor vetoed in its entirety.*

VII. Fiscal and Position Summary

	ETF Budget Request		Governor's Recommendation		Act 33	
	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2003-04	Fiscal Year 2004-05
Positions (FTE) Requested	26.8	27.8	10.0	10.0	10.0	10.0
New Permanent	24.3	25.3	6.5	6.5	6.5	6.5
New Project	2.5	2.5	3.5	3.5	3.5	3.5
Ongoing SEG Funding Requested	\$1,783,300	\$2,558,600	\$449,800	\$568,300	\$639,700	\$1,120,300
One-Time Funding	\$1,818,600	\$ 937,200	\$1,202,800	\$656,000	\$1,483,600	\$935,500
Total Budget (SEG)	\$3,601,900*	\$3,495,800*	\$1,652,600*	\$1,224,300*	\$2,123,300*	\$2,055,800*
Private Employer Health Care Coverage Program (GPR)	\$200	\$200	\$211,100	\$211,100	\$200	\$200
Benefit Supplements for Older Annuitants Only (GPR)	\$2,965,500	\$2,504,300	\$2,965,500	\$2,504,300	\$2,950,900	\$2,490,800
Total Budget (GPR)	\$2,965,700	\$2,504,500	\$3,176,600	\$2,715,400	\$2,951,100	\$2,491,000

*These figures represent items shown in the budget summary. The Department's total budget under Act 33, including all positions, supplies, etc., is \$22,377,900 for FY 2004 and \$21,851,100 for FY 2005.